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Major News Releases and Speeches

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IN THIS ISSUE:

Speeches—

Remarks prepared for delivery by Secretary of Agriculture John R. Block before the Agriculture Subcommittee of the President's Export Council, Omaha, Neb., Sept. 13, 1982

Testimony—

Statement by Assistant Secretary of Agriculture William G. Leshner before the Senate Agriculture Committee's Subcommittee on Agricultural Research and General Legislation, Sept. 14, 1982

Statement by Under Secretary of Agriculture Seeley G. Lodwick before the Senate Foreign Relations Committee, Sept. 14, 1982

Statement by Assistant Secretary of Agriculture William G. Leshner, on H.R. 6142 before the House Agriculture Committee's Subcommittee on Wheat, Soybeans and Feed Grains, Sept. 15, 1982

Statement by John B. Crowell, Jr. assistant secretary for natural resources and environment, U.S. Department of Agriculture, before the Subcommittee on Forests, Family Farms, and Energy Committee on Agriculture United States House of Representatives, concerning the present state of the forest products and housing industries, Sept. 16, 1982

News Releases—

Biologics Firm Surrenders Bovine Vaccine License

Sheep Producers Approve Wool Promotion Program in Preliminary Vote Count

U.S. Spring Wheat Team Finds "No Surprises" on Visit to Soviet Union

USDA Grants \$200,000 to Clemson to Improve Cotton Marketing

IN THIS ISSUE: —Continued on next page

IN THIS ISSUE: — Continued

News Releases—

USDA Begins Educational Program for Residue Avoidance

USDA Revises Grade Standards for Grapefruit Juice

Wild Corn Used to Breed Blight-Resistance Into Crops

USDA Reallocates Funds for WIC Program

USDA Revises General Requirements for Purchase Specifications

USDA Protects 15 New Seed Varieties

U.S. Scientists Join Mexicans in Citrus Disease Survey

Agriculture in Classroom Workshop Set for Portland, Ore.

USDA Adopts Changes in Lamb Grade Standards

USDA Revises Grade Standards for Grapefruit Juice

Plant Variety Protection Board Named Meeting Set for Sept.. 28"

Fiscal 1983 Sugar Import Quota Fixed at 2.8 Million Tons

USDA Proposes to Amend Italian Sausage Standards

USDA Increases Food Stamp Allotments

USDA Proposes Grain Inspection Fee Increases to Cover Costs

USDA Proposes Fee Increases to Cover Rice Inspection Costs

Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Secretary of Agriculture John R. Block before the Agriculture Subcommittee of the President's Export Council, Omaha, Neb., Sept. 13, 1982

Today I want to talk with you about the general economic conditions of the world market for U.S. agricultural products, and in doing so, provide you with an outlook of what I see in store for 1983, and beyond.

But before I begin, I want to stress two very fundamental points which will serve as a framework for everything else that I have to say on this subject.

First, we must realize that agriculture no longer exists in a vacuum from the rest of our economy—if indeed it ever did. The economic outlook for our nation shares a direct relationship with our agricultural trade. Interest rates, the dollar value, inflation—they all have a direct effect on world trade of U.S. agricultural products.

My second point is this: The total U.S. economy will be much better off if we have an all-out effort to increase the volume of farm exports. When I say the total U.S. economy, I am including the American consumer.

In fact, a recent study commissioned by Pioneer Hi-Bred International showed that U.S. exports of corn and other feed grains could rise by 10 percent above expected levels without increasing consumer food prices more than one percent by 1990. However, the prices farmers would receive would increase 9.7 percent.

The significance is this: Policymakers do not have to choose between exports and lower food prices.

Now let's take a look at where we are with exports in fiscal 1982. We all know that while the volume of our exports was up one percent for the first nine months of this fiscal year, the value of these exports fell nine percent. Of course, contributing to this decline was the fact that prices for nearly all major commodities were lower than a year ago during those nine months.

As I said earlier, it all ties into our general economic picture. The lower commodity prices—both at the farm and at export terminals—were a result of large U.S. and global supplies, a stagnant economic performance worldwide, the increased real cost of borrowing money, and the stronger dollar.

As fiscal 1982 progressed, it became apparent that soybeans would emerge as a major factor in our export picture. This commodity alone, recovering from fiscal 1981 problems, is now projected to exceed 25 million tons in exports this year. That's a 25 percent increase from last year and five percent above the 1979-80 record. Next year, soybean exports could approach 26 million tons.

Much of this increase can be attributed to the internal pricing policies in the European Community. That area of the world, by the way, purchases nearly half of all U.S. soybeans and over half of our soymeal exports. Within the Community, soybean meal is currently less expensive to feed than corn.

Speaking of corn—unfortunately those exports have been moving along at a sluggish pace. Much of this can be attributed to a reduction of exports to areas such as Mexico, Japan, Poland, Romania, Brazil and Italy.

I think it's important to note, at this time, that corn and wheat also are suffering under a pressure which may not be quite as apparent in the figures. I'm talking, of course, about the lingering effects of the 1980 Soviet grain embargo, especially the economic incentive that the embargo gave to our competitors to increase their share of the world market. We're working hard to regain what we lost.

As for wheat, Canada is again pushing its exports this year. On the other hand, Australia is expected to harvest its worst wheat crop in five years this December. The largest markets for U.S. wheat exports will continue to be the Soviet Union, China, Japan, Brazil, Egypt and South Korea. We don't see any significant changes in their relative shares next year. But that could change.

Now let's briefly take a look at the current export situation with some of our other U.S. commodities.

Cotton exports have had mixed success so far in 1982. Low prices, combined with large supplies are expected to push U.S. cotton exports

to 1.5 million tons, valued at \$2.1 billion. This volume is expected to remain about the same next year.

Exports of animals and animal products are presently running slightly ahead of last year's pace. That trend will probably continue throughout the year.

Horticultural products appear to have a bright future in the export market, with developing countries in East Asia and the Middle East becoming growing markets. These products account for seven percent of all U.S. farm exports. That's more than double what it was 10 years ago. We can expect these exports to rise this year, and again in 1983.

Taking a more general look at 1983, it's apparent now that President Reagan's recovery program is having a solid positive effect on the economy. And with a more favorable outlook with the economic indicators for 1983, I fully expect to see a stimulated demand for U.S. agricultural exports.

I don't believe, however, that we can look to developed countries for a great share of this increased demand. A recovery in our country will certainly stimulate economic recovery in the developed nations—but this recovery could be sluggish. We expect that 1983 exports to these nations will remain near this year's \$20 billion.

Centrally planned countries will create more of a market for our products next year. Major factors will be crop development, the U.S. share of the Soviet and Chinese markets, availability of credit for Eastern Europe and prices for our grains and cotton. As you know, President Reagan offered the Soviet Union—and they accepted—a one-year extension of the grain agreement, which is currently in its sixth year. Considering all factors, I don't believe there's any doubt that we will see significant exports to the Soviet Union during the seventh year of the agreement. We are re-establishing ourselves as a reliable supplier. It's taking time, but we're getting there.

Exports to the developing countries could also rebound in fiscal 1983. The economic expansion in the Far East should spur imports of raw materials, foods and feedstuffs. And while shipments to several low-income countries in Africa may decline, we should see significant volume increases for most commodities.

Now I want to take a few minutes to examine this world market from a somewhat different angle. Over the 1960s and 1970s, a number

of developments led to the emergence of two world markets for farm products. One is the traditional bulk market for unprocessed products. The second market is for high value, generally processed products. By 1980, the market for the high value products actually became larger than the bulk market that traditionally dominated agricultural trade.

I'd like to point out two significant factors: First, the high value market appears to have a higher pay-off, especially when considering major characteristics of the markets such as growth prospects and benefits to the economy in and outside the farm sector.

Secondly, the U.S. performance in the high value market in the '70s was not as strong as would be suggested by our comparative advantage in the production of these products. For example, in 1970 the total world trade in high value products amounted to \$25 billion, but our share of that was only about 10 percent. Our share has remained in the neighborhood of 10 percent or less through 1980, at which time the total world trade had reached \$120 billion in high value products.

To help boost exports of high-value products, we have plugged our Trade Opportunity Referral Service into AGNET, a University of Nebraska-owned electronic information network. As most of you know, the Trade Opportunity Referral Service, or TORS, is a system in which foreign buyer requests for agricultural products are relayed to appropriate U.S. suppliers by computerized mail.

Most of these requests are for high-value products—processed and semi-processed items—and the TORS system has worked well to get buyers and sellers together. But it can take as long as six or seven days to deliver a lead to the West Coast, and in this era of increasing competition, delays can mean lost business.

Augmenting TORS with AGNET, which reaches subscribers in 42 states, permits same-day delivery of trade leads for what could be same-day response by U.S. business.

Estimates are that total world trade in high value products will rise to about \$310-\$440 billion by 1990. However, unless we aggressively pursue this market, our projected share by 1990 could remain at only 10 percent.

We can do better than that! But it's going to require a substantial investment of time and money centered on a more aggressive marketing stance. This stance will have to be reinforced by

considerable trade policy pressure to prevent other high value exporters—particularly the European Community Community—from offsetting any improvement in our competitive position.

This is why I have personally pushed for a greater emphasis on agricultural trade, and this is why President Reagan has given me his full support. And this is also why we are working hard to bring the European Community into line on trade matters we are facing even today. The future, given the high value products, will be even more competitive, and we want to approach that future on an even-handed basis with other nations.

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Testimony

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Statement by Assistant Secretary of Agriculture William G. Lesher before the Senate Agriculture Committee's Subcommittee on Agricultural Research and General Legislation, Sept. 14, 1982

Mr. Chairman and members of the subcommittee, I want to thank you for this opportunity to appear here today and discuss with you the issue of forecasting and reporting farm income. I understand and appreciate your concern that a major responsibility of the U.S. Department of Agriculture is to provide a fair, accurate and reliable assessment of economic conditions in the farm sector, including the outlook. We agree that this is a basic responsibility of the U.S. Department of Agriculture.

However, we do not agree that mandatory reporting of net farm income forecasts, as required by S. 2291, is consistent with this objective. In fact, this requirement likely would detract from our ability to accurately describe economic conditions in the farm economy and not be in the interest of farmers. Thus, for the three major reasons set forth below, we oppose enactment of S. 2291.

First, it is a gross oversimplification to suggest that the economic conditions of our diverse farm economy can be boiled down to a single number. At best, it is one indicator among many.

Over time, as our farm economy has become increasingly integrated into the general economy, net farm income tells only a small part of the story. Requiring monthly forecasts of this particular indicator so far in advance would only serve to focus public attention on this single measure at the expense of a more basic understanding resulting from use of a whole set of measures.

Second, because of the extreme sensitivity of net farm income to small changes in either cash receipts or production expenses, estimates for past years are subject to substantial revisions and forecast errors are often very large. The extreme sensitivity of the net farm income statistic to small changes in receipts and expenses reduces its usefulness for accurately describing changes in the farm economy.

Third, farmers do not need estimates of net farm income so far in advance, nor to my knowledge, are they seeking them. No individual farmers can tell you next month what his or her net farm income will be for 1983, and they do not expect the U.S. Department of Agriculture to be able to do so either. So the question is: What purpose is served with taxpayer dollars to forecast net farm income over a year in advance when we all know that the number is subject to gross error?

It is not easy to describe economic conditions in the farm sector. Conditions vary widely depending upon regions, commodities produced, tenure, debt position, credit availability and many other factors. It is not possible for a single indicator to adequately reflect this diversity.

To describe the general economy, we must look at many indicators such as GNP, per capita disposable income, exchange rates, unemployment rates, the money supply, the consumer price index, industrial production, auto sales, housing starts and the like. I am sure the committee is aware that while various agencies within the U.S. government develop forecasts of these official indicators, they seldom are published, much less released monthly.

To focus on the level or the change in any one indicator would not be very meaningful and would be misleading. This is even more true for describing the economic situation for farmers since the farm sector is only a part of the overall economy and is becoming more integrated into the general economy.

To describe economic conditions in the farm sector requires a long list of measures in addition to net farm income such as cash flow, farm equity, off farm income, returns on assets, farmland values, debt asset ratios, returns to operator-supplied factors, asset growth, changes in debts outstanding, prices received and paid by farmers, and productivity indexes. Even these indicators are averages and aggregates that mask the financial situation for individual farmers or groups of farmers.

Let me give you one current example of how misleading it can be to focus on a single indicator. In recent months there have been numerous reports in the press which suggest economic conditions in the farm sector are the worst since the great depression of the 1930's. They have arrived at this conclusion by misinterpreting USDA statistics on net farm income.

In 1980 and 1981, net income from farming declined to about \$20 billion from the recent peak of \$32 billion in 1979. In nominal terms, the 1980 and 1981 net farm income levels were higher than 1976 and 1977; but after adjustment for inflation, deflated net farm income dropped to the lowest level since the early 1930's. However, the story does not end there. We must also point out that since the 1930's the number of farm operators has declined from over 6-1/2 million to less than 2-1/2 million.

After adjusting for the decline in the number of farmers, net farm income per farm in 1981 will total over \$10,000 and will be the fourth highest ever, compared with \$450 in the early 1930's. Even after adjusting for inflation, real net income per farm is more than three times larger than in the 1930's.

Another major difference from the 1930's is that in today's farm sector we have more part-time farmers and operators who receive most of their total income from off the farm. Currently, about half of our farmers sell less than \$10,000 worth of farm products each year. These 1.2 million farms account for less than 5 percent of total sales of farm products. About one-fifth of our farmers sell less than \$2,500 worth of farm products each year, equivalent to receipts from about 10 acres of corn.

As you can see, it would be misleading to simply look at average income per farm, including all these very small farms, without considering their off-farm income.

In recent years between 50 and 60 percent of the total income of farm operator families is received from off-farm sources. For the smallest farms, virtually all of their total income is from off the farm. Last year, total income per farm operator family was the second highest ever at over \$26,000. After adjusting for inflation, real income per farm operator family last year was about the same as the early 1970's.

So far I have tried to illustrate the limitations of using the net farm income statistic to describe the economic conditions of the farm economy. Now I would like to focus on the sensitivity and variability of this statistic which I feel further reduces the usefulness of these projections for farmers and others.

It is important to keep in mind the difference between an estimate and forecast. An estimate is an approximate measure of an item usually

derived by calculation from sample data. An estimate assumes that all events affecting the quantity measured have occurred. A forecast is a quantitative evaluation of future outcome based on current conditions or the assumption that certain conditions will prevail.

As you know, net farm income is the difference between gross farm income, which was recently estimated to have been around \$161 billion in 1981, and production expenses, which are estimated to have been about \$141 billion. This leaves forecast net income at about \$20 billion.

By most statistical standards, a statistical estimate would be considered very accurate if it contained an error of 2 percent. Because of the uniqueness of net farm income, you can see that if gross income was underestimated by just 2 percent and production expenses were overestimated by 2 percent, the resulting error in net farm income would be 30 percent. This is the error potential for our historical estimates, not forecasts.

The coefficient of variation on the 1981 farm production expenditures survey which is the basis for total expenses in the farm income accounts was 2.8 percent. This means that chances are only 2 out of 3 that the actual value of 1981 farm production expenses was within \$3.9 billion of the estimated value of \$141 billion.

We are unable to make firm estimates of the previous years' net farm income statistics until the annual production and price data are finalized and the results of the annual Farm Production Expenditure Survey becomes available. This means that the first estimate of the previous year's farm income data are usually completed in July of the following year.

Currently, our 1982 farm income statistics are still forecasts, particularly the farm production expenses. As a result, 1982 income forecasts released this September are subject to potentially large revisions when the first estimates for 1982 are published in July of next year, after the price and production data are finalized, and the survey results are tabulated.

During the past 7 years for which we have data, the revisions from September forecasts to July estimates have averaged \$3.4 billion, or about 15 to 20 percent.

Because of the difficulty in providing accurate estimates of net farm income after the fact, for years past, you can easily begin to see our

concerns about making early forecasts of net farm income for the years ahead. Forecasting the coming year's net farm income statistics three months before the year begins, as S. 2291 requires, would mean making forecasts on virtually no solid data. We would have to assume acreage planted, yields, crop and livestock production, economic conditions in the U.S. and abroad to include exchange rates and interest rates, all commodity and input prices, even the weather. And because we would not know the current year's production expenses until July of the following year, we would not be able to use the current income forecasts as a starting point for our forecasts for the coming years.

Forecasts of net farm income require detailed forecasts of all the major commodities and inputs in the farm income account. Small changes in the forecasts for these key commodities can easily produce wide changes in the net income forecasts. For example, a 10 cent per bushel change in the corn price forecast would change corn receipts by over \$400 million. A change in the cattle price forecast by \$1 per hundredweight would result in drastic changes in the net income outlook. The same is true for interest rates. A one percentage point change in the interest rates on all farm debt outstanding affects net farm income by about \$2 billion.

Frankly, the dangers of these early forecasts seem to me to be quite substantial. The inability to accurately forecast net farm income is not necessarily a poor reflection on our analysts. No one else can do any better. It simply reflects a fact of life that we cannot predict with accuracy such events as weather over which we have little or no control.

While we can make early forecasts based on the many required assumptions, the question is what is the value of these forecasts and how should they be interpreted. Granted that forecasts tend to become more accurate as the year progresses, there are still many months during the first half of the year when public debate would revolve around an unreliable and largely meaningless figure.

Large forecast errors can result from trying to convey too much information too soon. This seriously erodes the usefulness of our farm income forecasts and causes users to question the integrity of the numbers.

Farmers cannot tell you what their net farm incomes will be a year in advance and it is unrealistic to believe that the department can aggregate over 2.4 million farms into a single net income measure that is reliable. Farmers do not need an estimate of net farm income to know the circumstances they face at the current time, so why waste taxpayer dollars to provide an unreliable net farm income estimate that is not useful for farmers.

I am convinced that the best way to deal effectively with these problems and issues is to adhere to the strict and published schedule for reporting farm income that was announced in the April issue of Agricultural Outlook. That schedule calls for USDA to release its first estimate of the previous year's farm income statistics in July of the following year. This data, in combination with the first good estimate of the current year's crop production from the August crop report, will provide a good basis for making the first forecast of the farm income prospects for the current year in the September Agricultural Outlook.

The approach I have recommend is admittedly conservative. It is the best way I know to ensure that we will provide credible estimates as soon as we have the information on which to base them. The delayed reporting schedule will not remove all error, but it will minimize the problems, and I believe it will lead to better uses of these numbers based on reliable information rather than supposition.

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**Statement by Under Secretary of Agriculture Seeley G. Lodwick
before the Senate Foreign Relations Committee, Sept. 14, 1982**

Mr. Chairman, members of the committee, thank you for this opportunity to discuss with you U.S. agricultural trade relations with Japan. We deeply appreciate your continuing support—as a committee and as individuals—for our long and difficult effort to improve access to the Japanese market for U.S. agricultural products.

This is a particularly important time for us, because next month we will begin a series of meetings with the Japanese to discuss the liberalization of their markets for beef and citrus, which hold a potential for significant export gains for U.S. producers.

My purpose today is to briefly review the status of our agricultural trade relations with Japan, and to discuss the issues that confront us and what we hope to gain in the negotiations that are scheduled next month.

There is no question that agricultural trade between the United States and Japan is mutually beneficial. Japan has imported more U.S. agricultural products than any other country every year since 1964 and last year we shipped a record \$6.7 billion worth of these products to Japan. This was 15 percent of our total farm exports and represents the production from more than 14 million acres of cropland—an area larger than the total cropland available in Japan itself.

Japan, in turn, relies on imports to meet an estimated 50 percent of its caloric needs, and the United States has been its most dependable supplier—providing more than 90 percent of its soybeans, about 55 percent of its wheat and 65 percent of its feed grain requirements in the past decade.

In all, Japan has looked to the United States for more than a third of its food and fiber requirements, so there are benefits for both countries in a stable and expanding trade.

Our principal trade concern with Japan at this point is one of access for high-value U.S. products—beef, citrus, nuts, canned and frozen foods and other processed and consumer-ready products.

The problem is rooted in Japan's domestic agricultural policy. Japan protects its agriculture cause of its small scale and inefficiency. The average farm size is only 2-1/2 acres and, while yields are quite high, agricultural labor productivity is among the lowest of the developed countries.

Agricultural production is maintained by high support prices, which are protected by erecting import barriers to insulate Japan's agriculture from international competition.

Over the years, with abundant supplies of imported grains and soybeans and limit arable land, Japan has moved toward the production of high-value specialty crops, such as livestock and fruits.

Therefore, Japan applies its import protection selectively, with an eye to ensuring foreign supplies of the commodities it needs to supplement its own agriculture, such as feed grains for its livestock industry, while restricting entry of competing products. This is done in

a variety of ways, including the use of import quotas, tariff quotas, high tariffs, state trading, administrative guidance and restrictive product standards.

As a result, about 85 percent of the value of U.S. agricultural exports to Japan consists of raw materials, such as feed grains, wheat, soybeans, cotton and hides. The rest is in high-value products and they are far short of their market potential.

While we have been concerned with the trade-restrictive effects of all of Japan's barriers, we are particularly interested in eliminating its import quotas, which we firmly believe are in violation of the General Agreement on Tariffs and Trade.

There are now 22 such quotas affecting agricultural and marine products, some of which are of significant trade interest, most notably beef, oranges and citrus juice. And despite some Japanese steps to reduce tariffs and expand quotas, we continue to face quantitative restrictions on the same 22 items that we did 10 years ago.

As the chairman knows, we have over the past year intensified our efforts to improve access to the Japanese market, but to date the Japanese have announced only limited measures to reduce restrictions on agricultural imports.

The first of these positive—if limited—responses occurred last December when Japan announced its intention to advance by two years tariff reductions negotiated in the Multilateral Trade Negotiations (MTN) on 1,653 items, both agricultural and industrial. This was followed in January by disclosure of 67 actions Japan said it would take to facilitate trade by removing or reducing the effects of various non-tariff trade barriers.

Some of these measures such as the intention to improve grading practices for imported sake, to increase the number of inspectors for U.S. cherry and papaya shipments and to revise plywood standards could favorably affect U.S. agricultural trade.

However, no quota items were addressed in either package and, although the announcements represented a step in the right direction, they represented very small steps.

We continued to apply pressure at the March U.S.-Japan trade subcommittee meeting in Tokyo (the third meeting of the subcommittee since September 1981). At this meeting, the Japanese

agreed to begin negotiations on the beef and citrus quotas in October 1982, the earliest possible date under the MTN Agreement, and to discuss in April their GATT justification for the 22 import quotas affecting agricultural and marine products.

At the April meeting, held in Washington, the Japanese made what we thought was a weak defense of their import quota system. We indicated that it might be necessary to exercise our rights under GATT in response to their continued reluctance to eliminate trade restrictive policies.

On May 28, Japan announced a "second" trade-liberalization package in anticipation of the Versailles Economic Summit. Measures affecting agricultural products included expansion of import quotas on prepared and preserved pork, hi-test molasses and canned pineapple; tariff reductions on 15 agricultural items; amendment of tariff classifications to allow the importation of wild rice, and improvement in import procedures.

After seeking clarification on these measures, we found that our gains again were minimal. Japan had chosen to act only on those quota items of least significance to us.

Since May, we have taken further steps toward the elimination of Japan's quotas and other trade barriers. In late July, the administration decided to pursue an Article XXIII GATT action against Japan's restrictive import practices on leather. We informed the Japanese of this decision in our bilateral talks of August 2-7, and are currently considering their response before seeking recourse under the GATT.

In addition, we are setting up a tobacco study group to discuss reduction of high Japanese tariffs and restrictive marketing policies on imported cigarettes, cigars and pipe tobacco.

We have also voiced our concern and are paying careful attention to discussions by Japan's lumber industry regarding the formation of an importer's cartel that could curtail imports of U.S. lumber.

At every other opportunity, including my recent visit to Japan last month, we have been emphatic that Japan must quit temporizing and move boldly toward liberalization in agricultural products.

One thing we try to make clear is that agricultural trade liberalization will not destroy Japan's agriculture; instead, it will make it more efficient and viable in the long run. We believe that to allay the

fears in the Japanese agricultural community, we must, as soon as possible, increase the dialogue with them on possible adjustment alternatives in their farm sector.

We are now developing our strategy for the beef and citrus talks next month. Without question, these will be the most important bilateral discussions of agriculture with the Japanese since the conclusion of the MTN agreement in 1978.

We are hopeful the October meetings will lead to full liberalization by Japan of its beef, orange, and citrus juice markets by 1984. These markets are very important to us. Since the partial liberalization achieved in the MTN, the value of exports of these three commodities together has increased by a factor of three.

U.S. beef exports, mostly high quality beef, increased from 7,000 tons in 1977 to 26,000 tons last year and there is potential for further expansion.

The great discrepancy between Japanese wholesale and import prices is indicative of that potential. Last year, Japanese wholesale prices were more than four times the average price of imported beef. Under a liberalized situation, consumption and imports would increase, probably quite substantially, and U.S. high quality beef would do very well. As high internal prices fell, Japanese consumers would likely substitute higher quality cuts for those of lower quality.

In the case of fresh oranges, import prices and wholesale Japanese citrus prices are fairly close, indicating the Japanese citrus industry is competitive and does not need the protective shield of high tariffs and import quotas.

Imports of processed food items like juices are often restricted cause the raw materials with which they are made are protected. If oranges were liberalized then orange juice should also be liberalized. Grapefruit juice should have been liberalized long ago when fresh grapefruit imports were opened up in 1972.

We expect success in the beef and citrus negotiations, but the challenge is formidable. There is strong opposition in Japan.

Considering the size of Japan's beef and citrus industries in relation to the whole economy, the producers of these commodities would not seem likely to be a significant political force. Most beef producers have very small herds and derive much of their income from other farm or

non-farm activities. Beef is not a staple in the Japanese diet and neither beef nor citrus can be linked to food security interests.

Nevertheless, beef producers, representing 460,000 households, and citrus growers, with 300,000, have substantial political clout. Furthermore, the powerful cooperative organization, Zennoh, has large sums invested in slaughter, packaging, storage and marketing facilities that depend on local beef production. And the government of Japan itself has invested much political capital in persuading farmers to shift resources out of rice and into other crops, including citrus.

Thus, although we are optimistic, we have no illusions about the difficulties we face in the negotiations next month, and we are prepared to meet them.

We recognize that Japan is our largest agricultural customer; but at the same time, with a population of well over a hundred million and per capita income approaching \$10,000, the Japanese market offers significant export growth potential if the barriers to agricultural trade are removed.

With the continued support of the Congress and the agricultural community, we are confident that they will be removed.

That concludes my statement, Mr. Chairman. I will be glad to answer questions.

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**Statement by Assistant Secretary of Agriculture William G. Leshner,
on H.R. 6142 before the House Agriculture Committee's
Subcommittee on Wheat, Soybeans and Feed Grains, Sept. 15, 1982**

Mr. Chairman and members of the subcommittee, it is a pleasure to be here today to discuss with you the administration's position on H.R. 6142.

In general, this bill would require the Commodity Credit Corporation (CCC) to dispose of government-owned stocks of agricultural commodities (primarily corn) by contracting to convert these excess stocks of grain into liquid fuels (primarily fuel ethanol) and to make these fuels available for federal transportation and industrial fuel needs.

The administration supports the objectives of H.R. 6142—to reduce excessive commodity stocks, to enhance grain prices, and to develop a cost-effective domestic source of liquid fuels—and supports the passage of this legislation with one change. The one change involves restricting the use of CCC-owned grain for fuel production purposes to that going out of condition. In addition, a clarification is needed concerning the uses to which the alcohol produced could be put.

Restriction to Off-Grade Corn

If a farmer-held grain reserve program is in effect for grain, section 110 of the Agriculture Act of 1949 permits the disposition of CCC-owned grain at less than the statutory minimum sales price if the grain has substantially deteriorated in quality or is in danger of loss or waste through deterioration or spoilage. Currently, CCC is operating a demonstration program to convert 2 to 4 million bushels of corn into fuel ethanol over a two year period using off-grade corn. The first year of this demonstration project is well under way with 2 million bushels of corn contracted to nine fuel alcohol processors in six states. From the results of the demonstration project, the department will have the data necessary to determine the feasibility of an expanded program for the conversion of CCC-owned grain into alcohol.

Specifically, the demonstration project is designed to determine the:

- (1.) net cash returns to CCC per bushel of corn which is deteriorating or in danger of deterioration by conversion of such corn into fuel alcohol;
- (2.) total energy requirements to produce fuel alcohol;
- (3.) feasibility of long-term storage of fuel alcohol in an anhydrous, or water-free, state;
- (4.) utilization of the byproducts of the alcohol conversion process;
- (5.) nature and potential of the fuel alcohol market;
- (6.) yields of alcohol obtainable from various qualities of corn; and
- (7.) efficiency of the industry by comparing cost and production statistics of the nine contractors.

Therefore, the administration presently believes that an amendment to H.R. 6142 is needed to limit its application to corn that is going out of condition (grades 4, 5, and sample grade) and await the results of the demonstration project. Since current law permits the sale of CCC-

owned corn which is deteriorating at less than 110 percent of the grain reserve trigger release level (\$3.15 per bushel), we feel that H.R. 6142 should be amended to limit its application to deteriorating corn in order to be consistent with our present authority to dispose of off-grade corn.

The potential amount of alcohol produced from deteriorating corn is significant. The CCC currently has in storage approximately 260 million bushels of corn, of which 44.3 million is committed by law to a strategic reserve for use in a disaster. Of the remaining 216 million bushels, about 32 million have been classified as out of condition. These 32 million bushels would yield approximately 80 million gallons of fuel ethanol which could be used as a gasoline extender or octane enhancer.

Clarification of the Uses of the Alcohol Produced

A clarification is needed relating to the requirement that the fuel produced "shall be made available to help meet the needs of the federal government for transportation and industrial fuel.. While at first glance it would appear that all the alcohol produced could be used by the federal government, there are certain reasons why this may not be accurate. Thus, a clarification is needed to insure that the alcohol could be marketed for other uses if the federal government could not utilize, including storage, all of the alcohol produced.

There are certain regulations and practical considerations which could prevent the federal government from fully utilizing the alcohol produced. The use of alcohol as a fuel in the federal fleet is contingent on the cost of the gasoline-alcohol blend relative to that of unleaded gasoline.

Executive Order 12261 states that there shall be a preference for gasohol when its price is equal to or less than that of regular unleaded gasoline. Therefore, the acquisition price of unleaded gasoline for the federal fleet is the maximum value at which 90-10 gasoline-alcohol blends can be priced.

Acquisition prices for unleaded gasoline will vary widely depending on geographic location, volume purchased, and mode of transportation. However, discussion with the General Services Administration indicates that gasoline-alcohol blends could be expected to exceed unleaded gasoline prices in some instances or areas.

The federal market for alcohol as a transportation fuel may be limited further by the lack of blending facilities in certain regions and by specific regulatory prohibitions, such as the Department of Defense's prohibition on the use of alcohol-gasoline fuel blends in certain multi-fuel engine trucks.

We also have examined the potential for the use of ethanol as an industrial fuel by the federal government. In 1981, the federal government used 832.4 trillion Btu of energy in federal buildings. About 57 percent was electricity, most of which was purchased from utilities and thus could not be displaced with ethanol produced from CCC grain stocks.

The total cost for the energy consumed was approximately \$4.2 billion, or an average cost of \$4.95 per million Btu. The cost per million Btu of alcohol is \$11.86, almost 2 1/2 times as expensive as conventional fuels, when alcohol is valued at \$1 only per gallon.

In addition to the high direct cost, the use of ethanol to displace some of the energy used in federal buildings would require major modification, retrofitting, or replacement of existing equipment, the cost of which is unknown. Technically, alcohol could substitute for most of the current energy use except electricity. This substitution would increase the federal fuel bill by about \$2.5 billion or 60 percent. Therefore, due to the high cost involved, we do not believe that ethanol could penetrate the federal industrial fuel market.

Summary

For these reasons, we recommend that the bill be restricted to grain which is going out of condition. A clarification also is needed concerning the uses to which the alcohol produced could be put.

As discussed, we have initiated a CCC alcohol fuels demonstration project from which we hope to obtain information that will enable us to economically utilize CCC stocks of corn.

Thank you for the opportunity to present this statement. I will be happy to respond to your questions.

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Statement by John B. Crowell, Jr., assistant secretary for natural resources and environment, U.S. Department of Agriculture, before the Subcommittee on Forests, Family Farms, and Energy Committee on Agriculture United States House of Representatives, concerning the present state of the forest products and housing industries, Sept. 16, 1982

Mr. Chairman and members of the subcommittee:

We appreciate the opportunity to join the subcommittee in its deliberations on the present state of the forest products and housing industries. We share your concern for the adverse economic situation these industries are now in and assure you of the U.S. Department of Agriculture's cooperation in appropriate efforts to help return these vital segments of the nation's economy to a strong, viable condition. It is in the national interest that the forest products industry be a strong, energetic segment of the economy.

The current economic situation in major sections of the forest products industry can only be described as very serious. This condition reflects the general economic situation in the nation—there has been very little growth in economic activity since 1979. In particular, it reflects the situation in the residential construction sector—the largest market for softwood lumber and plywood and a substantial market for a variety of other timber products. Housing starts have declined from an annual level of over 2 million units in 1978 to a seasonally adjusted annual rate of a little over 900,000 in June 1982.

This severe slump in homebuilding over a four year period, attributable almost entirely to high interest rates for long term borrowings, has significantly reduced demand for and the prices of lumber and plywood. Major undesirable impacts are associated with this decline in production. National Forest Products Association data show for the third week of August that 105 western softwood sawmills were shut down and 211 were operating on a reduced schedule. These mills represent 42 percent of all mills in the western sawmill industry. The closings and curtailments have resulted in 38,700 employees being laid off or working reduced schedules. Among the western softwood plywood mills, 40 were not operating and 47 were on curtailed schedules. This translates into nearly half of this segment of the

industry and results in 8,352 employees laid off or working reduced hours.

The adverse situation is not confined to the western United States. Data for the South for the same period show 80 softwood sawmills closed and 107 mills with curtailed operations—29 percent of the southern softwood industry. About 9,000 employees were laid off.

The production dropoffs are not confined to the lumber and plywood sectors. Similar reductions are reported in logging, millwork, particle board and hard board industries.

Prices have in general followed the trends in production. For example, softwood lumber prices in August 1982 were about 15 percent below their levels of a year ago, down 47 percent from 1979. Plywood prices were down 3 percent from 1981 and were 24 percent below 1977.

Mr. Chairman, the economic forces which have created the current interest rate barrier to meeting our nation's growing backlog for needed housing are well known.

The root of our problems today come from long years of abuse of the nation's economy—excessive government spending, the resulting deficit financing, inflation resulting from monetizing the consequent debt, and excessive government regulation. In recent years the federal government has spent hundreds of billions of dollars more than it has collected. This has occurred despite the imposition of increasingly heavy tax burdens—the result of tax bracket creep—on the taxpaying portion of the populace.

The progress being made against inflation should gradually have a favorable effect on interest rates and in turn, on housing. Lenders of capital were very slow in the early years of the inflationary spiral to raise their rates sufficiently to protect against erosion of the purchasing power of their loaned capital while earning a fair return for its use. They finally caught on, however, and had to raise interest rates up to unprecedented levels. It should be no surprise, though, that interest rates remain high as inflation recedes. In the first place, it requires a lapse of some time before lenders become increasingly convinced that the reduction of inflation is at least semi-permanent. Once they become convinced, then the inflation factor in interest rates should gradually be eliminated. Admittedly, the time needed for benefits of the actions so far taken to begin to show up has been greater than we anticipated.

It is in the context of the administration's economic recovery program that I wish to present my remarks. Permit me to summarize briefly the four key elements of this program. The first element is monetary restraint to control carefully the rate of growth in the nation's money supply so that the growth doesn't contribute to inflation. Increases in the money supply without corresponding increases in the nation's productivity are the cause of inflation.

The administration is solidly behind the Federal Reserve Board's anti-inflation efforts. The second element of the economic recovery program is the effort to control the federal budget, reducing and ultimately eliminating annual deficits, by cutting the growth in federal spending. This should help reduce high interest rates, which are in major part due to the large impact of the federal government in the financial markets competing for available capital. The third element of the president's program is a set of tax policy changes designed to boost savings, investment, and capital formation. The fourth element is regulatory reform, relieving industries, including those which are the subject of this hearing, of unnecessary financial burdens and the need to divert scarce capital into expenditures which provide little or no public benefit. With this program as the overall umbrella to provide the broad guidance needed, we believe that, working with the Congress and with full confidence in our economic system, we can bring about full recovery of the forest products and housing industries.

The administration's approach to resource management is designed to contribute to recovery. The emphasis has been and will continue to be on productivity and economic efficiency. The economic well-being of the nation depends on the wise utilization of our natural resources. We expect to increase national forest timber sales so as to avoid the "crisis bidding" that has occurred in the past and so as to make direct contributions to amply available raw materials at reasonable prices. Any increase, of course, will be done in full accord with the policies of protecting the basic productivity of the land and of recognizing other important uses of national forest lands. We are committed to making the market system work; that is the most efficient way to increase productivity and to allocate scarce resources. This policy translates, insofar as the nation's forest lands are concerned, into a heightened

sensitivity that production of all the goods and services which flow from these lands be warranted by improvements in net public benefits.

What lies ahead? Given a chance for the administration's economic policies to take effect, we see eventual full recovery of the industry and an opportunity for growth in both the near and long term. Accurate predictions of future changes in economic activity are not possible. There are a wide range of views on what may take place. This administration currently forecasts an average growth in the inflation adjusted Gross National Product of almost 4.2 percent annually in the next 5 years. The Congressional Budget Office forecasts an average annual rate of 3.7 percent, while Wharton Econometric, a private forecasting service, foresees a rate of 3.3 percent.

Forecasts of housing starts give a similar range of views. Wharton Econometric sees a gradual increase from 1.4 million starts in 1983 to just under 2 million starts in 1985. The National Association of Home Builders forecasts a level of 1.5 million starts in 1983, increasing to 1.7 million in 1985.

Data Resources Incorporated sees starts rising to 1.9 million in 1985. An important point to make in this regard is that the 1985 projections are not greatly below the estimates made in the 1970's for the same period and are close to the actual numbers recorded in the late 1970's. These estimates indicate that there will be an increase in the demand for softwood lumber and plywood in the near term and that demand will return to former high levels within five years.

This short run outlook is consistent with the long term projections of timber demand and supply made by the Forest Service which culminated in the 1980 Analysis of the Timber Situation in the United States—1952-2030. Substantial increases in demand for wood products are projected over the next 50 years. Demand for all wood products is expected to double during that period. There are factors that may temper the size of these increases, insofar as the housing market is concerned. High costs of buying and financing a home may price many out of the market. There may be a larger shift from single family to multi-family units than anticipated, which would dampen long term timber demand projections.

Then, too, earlier expectations of housing replacements may be optimistic. However, even with these factors considered, demand will

remain high enough that we have to be seriously concerned about where the wood will be coming from; given the current level of productivity of the nation's forest lands and forest management trends, a considerable timber supply gap could occur. The result would be major upward pressure on prices. These adverse consequences can be avoided by sensible management of the nation's forest resources.

If we can look beyond the current industry situation, with confidence that the problems now being confronted will be resolved, then we must tackle the question of what must be done now to prepare for the pent-up market for housing and other wood products. I believe it can be agreed that the resource base is adequate to meet projected demands with good management. How we use that base is quite another matter. We must begin now to take the steps necessary to assure that timber supplies are adequate. The most immediate need, I believe, is to realize the great potential productivity of the national forests. These federal lands are the key to meeting short term demand over the next 20 to 30 years. They contain over half of the entire softwood sawtimber inventory in the United States and currently provide about 25 percent of the timber used to manufacture lumber and plywood consumed in the United States. Yet these lands are growing at only 48 percent of the potential attainable in fully stocked natural stands.

Each of the 154 national forests is in the process of developing a forest-wide plan for operation over the ensuing 10 years. This planning will include rigorous economic analyses of management regimes that optimize economic outputs from the land. Each national forest must calculate and display the factors which reduce productivity or which increase costs, and must make determinations on their justifications. This does not mean that timber production will be emphasized to the unreasonable detriment of other resources. Each national forest will also evaluate options which provide several levels of discretionary environmental objectives and multiple use objectives. In short, the focus will be on ensuring that the national forests are managed in a businesslike and economically efficient manner and that the trade-offs for accepting something less are explicitly considered.

A related item must be considered when planning ahead for the housing market recovery; it is imperative that timber sales from the

national forests continue to be made at levels above those of the recent past. This must be done in anticipation of the recovery so as to avoid a rapid increase in price of wood products that would result from a shortage in supply. I am sure you are aware, Mr. Chairman, that there is a period of several years between initiation of a sale by the Forest Service, its award to the successful bidder, and its eventual harvest. The filling of this "pipeline" now is necessary to ensure there is adequate volume available for harvest 3 to 5 years from now. Thus, it is necessary to consider expected conditions as well as current conditions. We have recommended a timber sale program of at 12.3 billion board feet in fiscal year 1983 for these very reasons.

I do not want to imply that we should ignore our responsibilities to promote greater productivity on other forest ownerships. The nation's potential on all ownerships must be realized if wood product demands of the long-term future are to be met at reasonable prices.

Forest industry lands—the most intensively managed—represent 14 percent of the nation's commercial timber lands and contribute fully 38 percent of the annual supply of softwood sawtimber. They are growing new wood at 68 percent of their potential.

All that needs to be done to insure these lands continue to contribute their share of wood supply is to avoid government policies which discourage timber management by creating economic disincentives.

Fifty-eight percent of the nation's forest lands are owned by nonindustrial private forest owners—nearly 300 million acres. These lands presently contribute only 29 percent of the annual softwood sawtimber supply because they contain only 22 percent of the softwood sawtimber inventory. These lands are presently achieving 63 percent of their timber growth potential. There are viable investment opportunities on these lands, but the problem in many instances is to get these investments made. The problem is particularly acute in the South where nonindustrial private ownerships predominate. The challenge faced by those who would assure ample future supplies of wood is to make landowners aware of existing investment opportunities. We believe that public policy in this regard should not be one of supplying capital to these landowners—the policy that has been followed in the past—but rather should be aimed at attracting capital. The primary federal

emphasis should be on removing the barriers to increased forestry investment. These barriers are significant and, for the most part, we have not been able to penetrate them. They include:

- Knowledge. Landowners often do not understand the investment opportunities that exist.
- Technical and logistical support. Often labor, equipment, and technical support is unavailable to small landowners at reasonable costs.
- Risk. Fire, insects and disease, and natural disasters can wipe out the timber investment.
- Cash flow. Capital for forest management is tied up for long periods of time with no cash return to help ease the burden of front-end costs.

We believe that the tools to overcome these barriers are already in place, the result, to a great degree, of the actions of this subcommittee over the last several years. Professional assistance, resource protection, and educational programs through State Forestry and Extension agencies are available to these owners. The financial climate for investment has been greatly enhanced by changes to the tax laws that provide more favorable treatment of reforestation expenses, capital gains, estate and gift taxes. A timber insurance program to reduce investment risk, will soon be underway on a pilot basis. I emphasize that the tools to encourage investment are there. They need only be used.

In closing, Mr. Chairman, I want to emphasize that the federal government has great influence both on the timing of demand for wood products, and thus for timber supplies, and on their availability at reasonable prices. That influence will continue to exist for the foreseeable future. This administration is doing its best to assure that the very real future demands for housing and wood products can be met at reasonable prices, and in a climate designed to assure long term health and vitality of the nation's economy. Housing meets a basic need. We are confident that as the administration's tax and fiscal policies take effect, the forest products and housing industries will recover and will lead the nation out of recession, just as they have in the past.

That concludes my statement. I would be happy to answer your questions.

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News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

BIOLOGICS FIRM SURRENDERS BOVINE VACCINE LICENSE

WASHINGTON, Sept. 3—The Burroughs Wellcome Company of Kansas City, Kan., has voluntarily surrendered its U.S. Department of Agriculture licenses to produce bovine virus diarrhea vaccines because of potency and procedural problems, a USDA official said today.

John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said the company is recalling remaining inventories of the vaccines produced under the surrendered license. These products are not considered to represent a health or safety hazard, Atwell said.

The vaccines are widely used to immunize cattle against a disease which can cause abortion, respiratory problems, gastroenteritis and severe anorexia.

Atwell said the firm had experienced potency problems with their bovine virus diarrhea-containing products and that USDA inspectors found procedural problems during a recent inspection of Burroughs Wellcome's production facility in Kansas City, Kan. The company surrendered the licenses after an Aug. 26 meeting between company officials and USDA veterinarians.

The Burroughs Wellcome Company has completely reorganized top production and management personnel at its Kansas City facility and plans to initiate relicensing of a completely new bovine virus diarrhea product line that will meet USDA veterinary biologics standards, Atwell said.

USDA licenses veterinary biologics that are distributed interstate under the Virus-Serum-Toxin Act of 1913. The act requires products be proven safe, pure, potent and effective. USDA personnel license and inspect producing firms.

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SHEEP PRODUCERS APPROVE WOOL PROMOTION PROGRAM IN PRELIMINARY VOTE COUNT

WASHINGTON, Sept. 7—Wool producers, by a 23,800 to 8,975 margin, have voted to continue deductions from Commodity Credit Corporation wool incentive payments to finance promotion of wool, according to CCC Executive Vice President Everett Rank.

Preliminary returns show 72.6 percent of the producers favored the advertising and other market development activities which would be continued under a proposed new agreement between the U.S. Department of Agriculture and the American Sheep Producers Council, Inc. Producers voted in a referendum held Aug. 16-27.

The proposed agreement authorizes continued deductions from payments made under the National Wool Act on wool and unshorn lambs marketed during 1982 through 1985. The new agreement authorizes deductions of up to 4 cents a pound on shorn wool and 20 cents a hundredweight on unshorn lambs, up from 2-1/2 cents and 12-1/2 cents, respectively. The previous rates had been in effect for 4 years.

Last year, the council's expenditures for wool and lamb promotion were about \$4 million, the same amount budgeted for the current year.

Sheep producers have approved the wool and lamb promotion program by the necessary two-thirds majority in seven referendums held since 1954.

The council's national wool promotion program is run in cooperation with other segments of the industry which provide additional or matching funds. Promotion activities include advertising, merchandising and education. Lamb promotion is concentrated in high lamb-consuming areas.

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U.S. SPRING WHEAT TEAM FINDS "NO SURPRISES" ON VISIT TO SOVIET UNION

WASHINGTON, Sept. 8—A team of U.S. wheat specialists has returned from a tour of the Soviet Union but declined to speculate on the size of this year's Soviet spring wheat crop.

According to Keith Severin, team leader and a Soviet specialist with the U.S. Department of Agriculture's Foreign Agricultural Service, "We really didn't see enough on this trip to be able to predict the size of the total crop. Although we visited farms in five regions—representing 25 percent of Soviet spring wheat production—during our three weeks in the USSR, we were unable to see some of the more important producing areas of the southern Urals and western Siberia."

The spring wheat team included Arthur F. Shaw, an agronomist from Bozeman, Mont., and Donavon C. Loeslie, a spring wheat producer from Warren, Minn. Dale Posthumus, agricultural officer with the U.S. Embassy in Moscow, was with the team in Kokchetev, Kustanay and Kurgan. The visit was made under terms of the U.S.-USSR agreement on cooperation in the field of agriculture.

The team, which was in the USSR Aug. 16-Sept. 3, visited Kokchetev and Kustanay in northern Kazakhstan, where spring wheat is the principal crop. It also visited Kurgan, a political subdivision in the eastern Ural Mountains, and autonomous republics of Tatar and Bashkir located along the upper Volga River and western Urals, respectively.

"All areas we visited has some weather difficulties during the 1982 season, Severin said.

"Harvest was just beginning in Kokchetav, was more advanced in Kustanay, well underway in Kurgan and Tatar, and completed in the area of Bashkir we visited," Severin said. "In these areas, low soil moisture and below-normal temperatures at planting time possibly caused the thin, short stands we observed in some fields. Head size, however, was reported better than in 1981 and conditions were good for kernel filling," he said.

Among the various cultural practices used in the USSR to increase and stabilize spring wheat yields, fallow is among the most important, according to Severin. He said fallow has increased substantially in the last 6-7 years and accounts for as much as 20 percent of arable land used in some areas. In addition to conserving moisture in these areas where normal average precipitation amounts to 12-16 inches annually, fallow in the crop rotation helps to control weeds. Wild oats and Canadian thistle are the most serious weeds in spring wheat.

"Farmers told us they receive only about one-third of the amount of chemical fertilizer recommended for their grain crops," Severin said.

Weather conditions generally have been favorable this year for the production of forage crops, the team reported. Corn and sunflowers, often mixed in silage, were developing well in the northern areas, and vast quantities of straw—an important roughage in the USSR—also were available. In Kurgan Oblast and the Tatar Republic, farmers reportedly put up enough roughage this season to last a year and a half.

During their visit, team members visited agricultural research institutes, experiment stations, schools for training agricultural specialists, a seed cleaning plant and state and collective farms.

"In final discussions at the USSR Ministry of Agriculture on Sept. 3, high-level Soviet officials told us the 1982 harvest of small grains in the Ukraine was complete," Severin said. However, to the north, in the more central part of the European USSR, rains interfered badly with the winter grain harvest. The Soviets also stated that the harvest of sugarbeets and sunflowers had begun in the south. One-third of the 1982-83 winter grain crop had been seeded.

The team was unable to obtain any data on the 1981 Soviet grain harvest, Severin said.

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USDA GRANTS \$200,000 TO CLEMSON TO IMPROVE COTTON MARKETING

WASHINGTON, Sept. 9—The U.S. Department of Agriculture has approved a \$200,000 grant to Clemson University, Clemson, S.C., to study high volume instrument classification data for marketing cotton to textile mills.

Mills representing nearly 50 percent of the domestic cotton consumption will cooperate in the Clemson project.

"We want to involve all segments of the industry affected by high volume instrument classification in a positive search for the application of scientific methods to classify cotton," said Vern Highley, administrator of USDA's Agricultural Marketing Service. "The end-users—the mills—are a crucial link in our study."

High volume instrument classing expands the description of cotton, providing information otherwise unobtainable through the traditional classification systems, Highley said.

Under the federal-state marketing improvement program, states request federal funds for marketing projects and match approved grants with state funds which may come from public or private sources.

Highley said Secretary of Agriculture John R. Block will soon appoint members to a cotton instrument standards advisory committee. This committee will analyze the scientific and technical aspects of measuring cotton quality with instruments. It will also recommend standards and calibration procedures for such measurements.

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USDA BEGINS EDUCATIONAL PROGRAM FOR RESIDUE AVOIDANCE

WASHINGTON, Sept. 9—The U.S. Department of Agriculture is spending more than \$1 million at 18 land-grant universities to help give livestock and poultry farmers information and management techniques to use drugs and chemicals safely and avoid marketing animals with residues.

"Farmers need these drugs and chemicals as a part of their management program, but they must be able to use them without causing a residue," said George Meyerholz, a USDA veterinarian. "When slaughtered animals are found to have unacceptable residue levels, the carcasses are condemned, and the problem traced to its source."

Therefore, Meyerholz said, USDA's Extension Service will develop an educational program about TRAP—the total residue avoidance program—which was developed by USDA's Food Safety and Inspection Service. The program will initially begin at land-grant universities in California, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Maryland, Massachusetts, Minnesota, New York, North Carolina, Ohio, Oregon, Pennsylvania, Vermont, Virginia and Wisconsin. Another 12 states will be added to the program later this fall.

Projects, which are aimed at educating farmers about proper use of chemicals and drugs, include developing slide sets for Cooperative Extension Service State specialists, county agents and industry representatives to use when working with farmers and farm organizations.

Several universities will develop farmer-oriented publications and educational programs on animal drugs and drug residues. The publications will encourage procedures that permit farmers to test their own animals before marketing them.

In other projects, animals will be monitored after they've been given drugs to see how long it takes for their systems to become drug free. The data from these projects and other data about animal drugs and drug residues will be developed into an Extension Service computer program that will be accessible to all state extension services and to industry.

As the projects are completed, results will become available to other state extension services and industry to use in other educational programs. The TRAP program is expected to last about three years.

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WILD CORN USED TO BREED BLIGHT-RESISTANCE INTO CROPS

WASHINGTON, Sept. 10—Wild corn from Central America will help Midwest corn crops resist such diseases as the southern leaf blight which struck the Corn Belt in 1970, a U.S. Department of Agriculture scientist said today.

That blight 12 years ago pointed up the danger of planting a narrow genetic base of hybrid crops vulnerable to diseases. Now, plant research is borrowing the disease resistance in wild corn to counter the danger, said Herman L. Warren, a plant pathologist for USDA's Agricultural Research Service.

What is coming from this basic research are what Warren calls "breeding lines"—a type of corn not sold in markets, but which corn breeders rely on to upgrade already available lines of corn.

Germplasm, which carries valuable genetic traits such as disease resistance, is passed along from the breeding line to the new corn.

Now, after 10 years of research, Warren and Purdue University scientists at West Lafayette, Ind., have developed two new breeding lines. Warren said the lines possess "multiple disease resistance" to viruses, blight and other damaging pathogens commonly found in the Corn Belt.

According to Mary E. Carter, acting administrator of the Agricultural Research Service, the new lines will "help corn breeders increase the genetic diversity of corn grown in this country."

Carter said the two lines continue "to expand the inventory from which replacements for current, widely grown corn hybrids could be developed quickly whenever a disease threat occurs."

To get a broader genetic diversity in the new lines, the researchers crossed Central American corn plants known as Mayorbela with "elite domestic lines." Warren said the 10-year research span was necessary to produce the final products offering disease resistance and other agronomically desirable traits.

The scientist first had to adapt early-maturing Mayorbela corn plants to the early growing seasons of the Corn Belt. He then crossed the Central American plants with domestic lines, selecting the best plants from each pairing to self-pollinate a new generation until he developed the new lines, H110 and H111.

Warren said the two lines now are available to corn breeders.

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USDA REALLOCATES FUNDS FOR WIC PROGRAM

WASHINGTON, Sept. 10—Reallocation of \$9.8 million in funds for the special supplemental food program for women, infants and children (WIC) was announced today by Assistant Secretary of Agriculture Mary C. Jarratt.

Each year a limited amount of money—approximately \$960 million this year—is divided among the states based on their projected needs for the coming year. When the program first started operating nationally in 1974, states had difficulty accurately estimating the amount of money needed for the fiscal year, Jarratt said.

"As a result, the U.S. Department of Agriculture reallocated unspent money as often as four times a year to states needing more funds. However, because of improved management reporting systems and increased cooperation between federal and state governments, this is only the second reallocation to the states this year," Jarratt said.

"By working closely with the states it appears that this year our Food and Nutrition Service has done a better job than ever before of providing available WIC funds to program recipients," Jarratt said.

The funds being reallocated were recovered from states that expected to have unspent money at the end of the fiscal year on Oct. 1, Jarratt said. Every effort has been made to assure that all available funds are distributed to states and obligated by them.

This reallocation is being done in September rather than October because of a ruling Aug. 27 by the U.S. District Court in Washington, as part of a lawsuit by Georgia Legal Services and the Food Research and Action Center of Washington in behalf of 11 women, five from Georgia and six from New York.

"The WIC program is currently reaching more people than ever before," Jarratt said. "And this year a greater percentage of the case load is made up of women and infants, who are at the greatest nutritional risk."

The WIC program was established as a two-year pilot project in 1972 and in 1974 became a permanent program. It has expanded steadily, and now operates in 50 states, 32 Indian agencies, the Virgin Islands, Puerto Rico and the District of Columbia. Administered by USDA's Food and Nutrition Service, the program serves 2.3 million women, infants and children.

Following are the allocations:

State	Realloca- tion	Total for FY 1982 (including realloca- tion)
Connecticut	\$38,500	\$16,949,211
Maine	50,000	5,343,378
New York	1,600,000	81,019,765
Delaware	60,400	2,024,148
Puerto Rico	194,500	24,093,542
Georgia	1,106,500	30,370,509
South Carolina	782,500	25,746,661
Louisiana	500,000	29,325,748
New Mexico	50,000	5,850,157
Oklahoma	442,000	14,486,796
Isleta Pueblo, N.M.	1,100	194,955
Zuni, N.M.	5,700	203,461
Illinois	750,000	35,047,368
Minnesota	200,000	15,766,684
Iowa	75,000	10,047,563
Missouri	83,100	20,686,422
North Dakota	5,000	3,890,896
Utah	200,000	5,917,984
Winnebago, Neb.	12,000	246,766
Ft. Berthold, N.D.	4,000	185,293
California	3,000,000	79,998,818
Oregon	250,000	10,435,722
Washington	400,000	12,586,503
Total	\$9,810,300	Total \$430,418,350

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USDA REVISES GENERAL REQUIREMENTS FOR PURCHASE SPECIFICATIONS

WASHINGTON, Sept. 13—The U.S. Department of Agriculture has revised the general requirements part of institutional meat purchase

specifications to bring them in line with current meat packaging, packing and refrigeration practices.

Government agencies and private concerns use the specifications to buy large quantities of meat products.

Thomas H. Porter, an official with USDA's Agricultural Marketing Service, said comments on the revision were invited from groups that use the specifications—federal agencies, state and local governments and groups outside of government. Meat purchase specifications were first published in the 1960s and the general requirements have not been revised since the 1970s.

The general requirements of the institutional meat purchase specifications outline practices that might be required in purchase contracts for any type of meat. More detailed requirements for specific kinds of meat are published in eight other institutional meat purchase specifications.

USDA's Agricultural Marketing Service, on request from institutions such as hospitals, schools, state governments and military agencies, examines meat and meat products to determine whether they comply with specific contract requirements. USDA charges a fee for this service.

Copies of the revised "Institutional Meat Purchase Specifications—General Requirements," are available from Michael L. May, AMS, USDA, Rm. 2-M, 300 12th St., S.W., Washington, D.C. 20250. Telephone: (202) 447-4486.

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USDA PROTECTS 15 NEW SEED VARIETIES

WASHINGTON, Sept. 13—The U.S. Department of Agriculture has issued certificates of protection for new varieties of cotton, soybeans, tobacco, wheat, Kentucky bluegrass, hard fescue, tall fescue, oats, snapbeans and Evening Primrose.

Thomas H. Porter, an official with USDA's Agricultural Marketing Service, said developers of the new varieties will have the exclusive right to reproduce their products in the United States for 18 years.

Certificates of protection are granted after a review of the breeders' records and claims that each new variety is novel, uniform and stable.

Developers and their new varieties are Delta and Pine Land Co., Memphis, Tenn., for Deltapine 30 and Deltapine SR-482 cotton; Barenbrug Holland B.V. Arnhem, The Netherlands, for Barblue Kentucky bluegrass and Barcel tall fescue; and Asgrow Seed Co., Kalamazoo, Mich., for A1179 and A2680 soybean.

Other developers to receive certificates for new soybean varieties are Iowa Agriculture and Home Economics Experiment Station, Ames, Iowa, for Hardin and Ring Around Products, Inc., Montgomery, Ala., for RA-800.

Certificates of protection also were granted to Northrup King Co., Minneapolis, Minn., for K399 tobacco; Pioneer Hi-Bred International, Inc., Hutchinson, Kan., for 2553 common wheat; Western Plant Breeders, Phoenix, Ariz., for WestBred 881 Durum wheat; Moran Seeds, Inc., Salinas, Calif., for Score snapbean; Coker's Pedigreed Seed Co, Hartsville, S.C., for Southern States 76-30 oat; and to Koninklijk Kweekbedrijf en Zaadhandel - D.J. van der Have B.V. Kapelle, The Netherlands, for Hartina hard fescue.

In addition, Hurst Gunson Cooper Taber Limited, Colchester, U.K., received 15 years protection for Constable Evening primrose. The limitation to 15 years is required by a reciprocity agreement between the United States and Great Britain.

The Kentucky bluegrass, tall fescue, oat, Durum wheat and Hardin soybean varieties will be sold by variety name only as a class of certified seed.

The plant variety protection program is administered by USDA's Agricultural Marketing Service and provides marketing protection to developers of new and distinctive seed-reproduced plants ranging from farm crops to flowers.

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U.S. SCIENTISTS JOIN MEXICANS IN CITRUS DISEASE SURVEY

WASHINGTON, Sept. 13—The U.S. Department of Agriculture has sent a team of 12 plant disease experts to Mexico to work with scientists there to find out how much of the country is infected with a recently discovered citrus disease.

The bacterial disease—reported in July in the Mexican state of Colima—has been tentatively identified as a mild strain of citrus canker, said Gregor Rohwer, an official with USDA's Animal and Plant Health Inspection Service.

Although no lesions have been identified on fruit, lesions were detected on leaves of lime trees in Colima, which caused officials of USDA's Animal and Plant Health Inspection Service to bar all imports of Mexican citrus until more is known about the disease and its distribution in Mexico.

"Our plant pathologists will work with Mexican plant pathologists to survey for the disease," said Rohwer. "We need to find out just where the disease occurs before we can determine what fruits from which Mexican states may enter the United States."

Rohwer said the major citrus-shipping season starts in September.

"Twelve U.S. scientists will team up with their Mexican counterparts in conducting a survey of lime trees, principally in Nuevo Leon, Tamaulipas, San Luis Potosi and Veracruz—states that normally export citrus to the United States," he said. "We expect this initial survey to take about one week."

"If the team doesn't find any disease," Rohwer said, "we may allow the entry of oranges, grapefruit and tangerines from some areas. Any citrus entering the United States will have to be free of debris, be dipped in a disinfecting solution and be from an approved area."

Rohwer said a second, more intensive joint U.S.-Mexican survey of limes will also begin immediately. This survey is expected to take about a month.

"If results of this survey are also negative, we may allow lemons and limes to enter the United States, subject to the same conditions," he said.

"Work is continuing on positive identification of the disease and research will soon be underway to learn more about it—including the most effective way to deal with it," Rohwer said.

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AGRICULTURE IN CLASSROOM WORKSHOP SET FOR PORTLAND, ORE.

WASHINGTON, Sept. 14—Secretary of Agriculture John R. Block has invited farm and education leaders from six northwestern states to Portland, Ore., on September 29, for the third in a series of regional meetings on "Agriculture in the Classroom."

The program is a cooperative effort by the U.S. Department of Agriculture, farm organizations and educators throughout the country. It is an attempt to show how the production and distribution of our food and fiber supplies touch our lives in endless ways day in and day out, from the food on the dinner table to a stronger dollar resulting from agricultural exports.

The meeting will be primarily a sharing of ideas and projects that have proven successful in bringing the story of modern agriculture to the classroom.

"Many young people just don't know where their food comes from," Block said. "That's true even though agriculture is the nation's biggest business, and employs one out of every five workers. Our future voters need to know how the agriculture sector works if they are going to help shape policy effectively in the future."

The Portland meeting, which is open to the public, will be held at the Jantzen Beach Thunderbird Motor Inn, from 9:30 a.m. to 4 p.m.

The states invited are California, Idaho, Montana, Oregon, Washington and Wyoming.

Participants will hear about current projects in the northwest. For example, in California, "Farm Day in the Schools," sponsored by the California Farm Bureau, brings farmers, their animals and products to thousands of San Francisco school children. In Oregon, Oregon Women for Agriculture, working with the School of Education at Oregon State, have finished a package of lessons and activities on state and national

agriculture. The activities include a play, classroom farms and information on what farmers really do.

More than 200 agriculture and education leaders from 21 states attended two regional meetings recently in Lincoln, Neb., and Harrisburg, Pa.

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USDA ADOPTS CHANGES IN LAMB GRADE STANDARDS

WASHINGTON, Sept. 14—On Oct. 17, the U.S. Department of Agriculture will change the official U.S. standards for grades of lamb, yearling mutton and mutton carcasses.

Thomas H. Porter, an official of USDA's Agricultural Marketing Service, said the changes will allow carcasses with only one break joint—in a young lamb, the point where the foot is removed during slaughter—to be classed as lamb if other maturity characteristics are typical of lamb. Research has shown that the break joint is a less-reliable indicator of age than previously believed. This and the fact that a joint may be removed in slaughter led to the standard change. USDA will drop feathering—streaks of fat between the ribs—as a quality factor. The quality grade will be based on flank fat streakings—fat within or on the flank muscle—in relation to maturity, with a minimum of firmness specified for each grade.

USDA also will standardize the quality and conformation compensations. It will add descriptions of degrees of muscling associated with each grade to the conformation descriptions.

The changes were proposed June 1 and comments accepted through July 15. Porter said USDA received 15 comments. Most were in favor of the proposal. The changes will simplify the teaching and application of the quality standards. They are not expected to have a significant impact on the livestock and meat industry or on the consuming public, he said. USDA instituted quality grade standards for lamb in 1931 and has revised them four times, most recently in 1960.

Copies of the grade standards may be obtained from the Agricultural Marketing Service, Room 2-M Annex, U.S. Department of Agriculture, Washington, D.C. 20250.

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USDA REVISES GRADE STANDARDS FOR GRAPEFRUIT JUICE

WASHINGTON, Sept. 15—The U.S. Department of Agriculture has revised U.S. grade standards for grapefruit juice to bring them into line with current citrus marketing practices.

Charles Brader, a marketing official with USDA’s Agricultural Marketing Service, said the major segments of the citrus industry asked USDA to update the standards.

The revised standards, which become effective Oct. 15, establish a minimum soluble solids content requirement for sweetened or unsweetened grapefruit juice, grapefruit juice from concentrate and dehydrated grapefruit juice.

The standards also require that sweetened frozen concentrate contain 38 percent minimum soluble solids before sweeteners are added. Brader said this requirement assures adequate natural grapefruit soluble solids in the finished product.

The revised standards do not permit the use of sweeteners in concentrated grapefruit juice for manufacturing. This will allow the product to be used in both sweetened and unsweetened grapefruit juice from concentrate, Brader said.

The revised standards are scheduled to be published in the Sept. 15 Federal Register, available at many public libraries.

USDA’s Agricultural Marketing Service establishes grade standards and provides official grading for many food products. Use of the standards and grading service is voluntary and paid for by the user.

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PLANT VARIETY PROTECTION BOARD NAMED; MEETING SET FOR SEPT. 28

WASHINGTON, Sept. 15—Secretary of Agriculture John R. Block today named 15 people to serve for two years on the Plant Variety Protection Board.

Block also scheduled a meeting of the board for Sept. 28 and 29 in room 2096-S of USDA's South Building, 14th and Independence Ave., S.W. Meeting sessions, which are open to the public, will begin each day at 9:30 a.m.

The plant variety protection program is administered by USDA's Agricultural Marketing Service and provides marketing protection to developers of new and distinctive seed-reproduced plants ranging from farm crops to flowers.

The board, composed of representatives of the seed industry, farmers and state or federal government, advises the secretary on rules and regulations needed to carry out the Plant Variety Protection Act.

Among topics to be considered at the meeting are possible measures to convert the program to a self-supporting system, reciprocity arrangements with other countries and changes in regulations to conform with rules of the International Union for the Protection of New Varieties of Plants.

Newly appointed members of the board are: R. Jane Barris, Jacob Hartz Seed Co., Stuttgart, Ark.; Thomas Castle, Morgan Hill, Calif.; Charles F. Hayward, Pioneer Hi-Bred International, Inc., Hutchinson, Kan.; Maurice L. Johnson, St. Joseph, Mo.; James R. Justin, Department of Soils and Crops, Cook College of Rutgers University, New Brunswick, N.J.; David L. Matthews, Agway, Inc., Syracuse, N.Y.; David Sinner, Casselton, N.D.; Vaughn B. Staller, Furman Canning Co., Palm, Pa.; and Richard P. Stone, Springfield, Ill.

Current members of the board reappointed for the 1982-84 term are Foil W. McLaughlin, Raleigh, N.C.; Gerard W. Pepin, International Seeds, Inc., Halsey, Ore.; William T. Schapaugh, Asgrow Seed Co., Kalamazoo, Mich.; and Donald L. Smith, Cal/West Seeds, Woodland, Calif.

Also appointed to the board are Bernard M. Leese, retired commissioner of the Plant Variety Protection program, and Rachel Speight Snyder, who served on the 1977-79 board.

Persons who plan to attend the board meeting should contact Kenneth Evans, room 500, National Agricultural Library Building, Beltsville, Md. Phone: (301) 344-2518.

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FISCAL 1983 SUGAR IMPORT QUOTA FIXED AT 2.8 MILLION TONS

WASHINGTON, Sept. 15—The U.S. sugar import quota for the year beginning Oct. 1 will be 2.8 million short tons (about 2.54 million metric tons) raw value, Secretary of Agriculture John R. Block announced today.

The quota will be 500,000 short tons lower than the preliminary estimate announced last June, Block said.

"Three major changes in the supply situation have reduced our import needs," Block said. "First, we have had a reduced consumption of products containing sugar. Second, good weather has given us a larger crop than earlier forecast. And third, it now is clear than carry-in stocks for the new crop year beginning Oct. 1 will be larger than anticipated."

He said in addition to domestic inventories, about 300,000 short tons of foreign sugar will be waiting in Customs Service bond on Sept. 30, ready to enter the United States immediately afterward.

The import quota controls are designed to bring domestic sugar prices up to the levels specified in the Agricultural and Food Act of 1981. That legislation requires the U.S. Department of Agriculture to stand ready to take over all domestic sugar that cannot obtain the minimum support price in the commercial market. For the 1982/83 fiscal year, the minimum support to producers is 17 cents per pound, raw value. The equivalent in the market place, known as the market stabilization price, has been determined to be 20.73 cents, and consists of the support price plus an amount to reflect several marketing costs. The market stabilization price was announced Sept. 1.

Supplying countries and their percentage shares under the quota will remain the same, and allocations will be based on the percentage distribution previously announced. In addition, the six countries in the

"other specified countries and areas" category will each be permitted to ship a specific quantity of 16,500 short tons.

Block said that should unforeseeable developments occur, authority exists for changing the quota.

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USDA PROPOSES TO AMEND ITALIAN SAUSAGE STANDARDS

WASHINGTON, Sept. 16—The U.S. Department of Agriculture today proposed amending its standard for Italian sausage.

Donald L. Houston, administrator of USDA's Food Safety and Inspection Service, said the proposal would allow processors to add curing agents-including sodium nitrite and potassium nitrite—to Italian sausage and require that the product be prominently labeled to indicate their use.

"The proposed change is needed to reflect the increased demand for curing agents in Italian sausage," Houston said. "The proposal would amend the standard for Italian sausage to conform with current industry technology. By allowing curing agents in Italian sausage, a potential food poisoning problem would be eliminated, since some members of the public frequently dry this sausage in the home without refrigeration. The curing agents serve as a preservative."

Houston said the proposal would also revise the definition of cooked Italian sausage to reflect the amount of water content allowed in the product.

A notice concerning the proposal is scheduled to be published in the Sept. 20 Federal Register, available in many public libraries.

Comments, in duplicate, should be sent by Nov. 19 to Regulations Office, Attn: Annie Johnson, room 2637-S, Food Safety and Inspection Service, USDA, Washington, D.C. 20250.

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USDA INCREASES FOOD STAMP ALLOTMENTS

WASHINGTON, Sept. 17—Beginning Oct. 1, food stamp recipients will get an eight percent cost-of-food increase in their food stamp benefits, Assistant Secretary of Agriculture Mary C. Jarratt said today.

"This action increases the food purchasing power of food stamp recipients to keep up with the rising cost of food," said Jarratt. The increase reflects changes in the cost of food between October 1981 and June 1982.

The allotment for a family of four with no income, for example, will increase from its current level of \$233 to \$253 a month.

Food stamp allotments are based on USDA's thrifty food plan, which provides an adequate level of nutrition for various sized households taking into account food prices. As the cost of food rises, the food allotment of the thrifty food plan rises with it.

Following are the new maximum monthly food stamp allotments which will take effect for families of various sizes in the continental U.S. on Oct. 1:

Persons in household:

1	\$ 75
2	139
3	199
4	253
5	300
6	360
7	398
8	455
Each additional member	+ 57

Allotments for recipients in Alaska, Hawaii, Guam and the Virgin Islands are slightly higher than those in the continental U.S.

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USDA PROPOSES GRAIN INSPECTION FEE INCREASES TO COVER COSTS

WASHINGTON, Sept. 17—The U.S. Department of Agriculture is proposing to increase some and lower other federal grain inspection fees and will hold a public meeting to discuss the changes, a USDA official said today.

The proposed increases— from 6 to 28 percent—are for original inspection, official weighing and supervision of weighing services in the United States and Canada. The proposed decreases are for supervision of truck inspections and protein reinspection.

The public meeting is scheduled for Oct. 13 from 9 to 11:30 a.m. in room 1072-S of USDA's South Building, Washington, D.C.

"Even though the Federal Grain Inspection Service has significantly decreased expenditures this past year by more than \$12 million, revenue still does not adequately cover the current or projected costs of providing most of the services," said Kenneth A. Gilles, administrator of USDA's Federal Grain Inspection Service. "Basic fees under the U.S. Grain Standards Act have not been increased since December 1980."

In the past year, the Federal Grain Inspection Service has cut its workforce from 1,452 to 1,013, closed its five regional offices and five field offices, reduced travel costs and other discretionary expenses, Gilles said.

"We plan further cost reductions for fiscal year 1983, and we will continue to monitor costs and revenues to determine if fees are at the minimum level necessary to assure effective service," he said.

Under the proposal:

- Fees for providing inspection services under contract in the U.S. during regular workdays would be increased from \$18.60 to \$21.80 per hour and from \$22 to \$25.20 per hour for a non-regular—night, weekend and holiday-workday. In Canada, the fees under contract would increase from \$24.40 to \$26.80 per hour for regular workdays and from \$28.40 to \$31 for non-regular workdays.

- Travel time for U.S. service would be charged at the rate of \$24.20 per hour for regular weekday schedules and \$28 for non-regular workdays. In Canada, the rate would be \$37.80 per hour for regular workdays and \$44.40 for non-regular workdays.

Under the proposal, USDA also would:

- Assess a fee each time a reinspection, appeal inspection or review of weighing is performed, regardless of a material error determination; and
- Assess fees on a per-unit sample basis for all reinspections or appeal inspections, and an additional fee for sampling if the reinspection or appeal inspection is based on a new sample.

USDA is also proposing to assess:

- Hourly fees, rather than a per-unit carrier fee, for some original inspection services;
- A separate fee for travel time and costs for special services related to original inspection and official weighing and all appeal and reinspection services performed more than 20 miles from a service representative's assigned duty station;
- A fee for standby time when it is not feasible to reassign a service representative to perform service at a different location;
- A fee for all equipment and scale testing services; and
- "Factor only" inspection fees for a maximum of two factors for USDA supervision of official state and private agencies.

USDA is proposing also to reduce fees for supervision of truck inspection and protein reinspection services provided by official state and private agencies. Truck inspections would decrease from \$1 to 75 cents and protein reinspection from 75 cents to 25 cents.

Gilles said the proposed changes were endorsed by the Federal Grain Inspection Service Advisory Committee as a proposed rule.

The proposed fee schedule is scheduled to be published in the Sept. 20 Federal Register. Written comments should be sent by Oct. 20, in duplicate, to Lewis Lebakken, Jr., Regulations and Directives Unit, FGIS, USDA, Rm. 1636-S, Washington, D.C. 20250. Telephone (202) 382-0231.

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USDA PROPOSES FEE INCREASES TO COVER RICE INSPECTION COSTS

WASHINGTON, Sept. 17—The U.S. Department of Agriculture is proposing to increase fees an average of 18 percent to cover costs of providing voluntary federal rice inspection service and will hold a public meeting in October about the increases.

"The proposed rates are for sampling, grading, weighing and other services as requested by the applicant," said Kenneth A. Gilles, administrator of USDA's Federal Grain Inspection Service, "and if the service is provided at a location more than 20 miles from the service representative's assigned duty station, we will assess a fee to cover travel costs."

Gilles said the public meeting will be at 1 p.m. Oct. 14 in room 2096 of USDA's South Building, 1400 Independence Ave., S.W., Washington, D.C.

Under the proposal, USDA will provide inspection services under contract during regular weekly workdays for \$25.60 per hour, up from \$21.60. Contract services at night and on weekends would be \$30.80 per hour, up from \$26; and \$66.20 per hour for holiday work, up from \$30.60.

Hourly fees for non-contract daytime services, Monday through Friday, would be \$34 per hour, up from \$28.80; nights and weekends, \$39 per hour, up from \$33; and holidays, \$44.40 per hour, up from \$37.60.

"Although all rice inspection services are at the request of the applicant, USDA is required, by law, to make available the services and also to charge fees that, as nearly as practicable, cover the agency's costs," Gilles said.

"Under these circumstances, we chose to make a major effort to reduce expenditures wherever possible before considering fee increases to cover costs," he said. "Current fees are still not generating sufficient revenue to cover current or projected costs."

Details of the proposed fee schedule are scheduled to be published in the Sept. 20 Federal Register, available at many local libraries. Written comments on the proposal should be sent, by Oct. 20, in

duplicate, to Lewis Lebakken, Jr., Regulations and Directives Unit, FGIS, USDA, Rm. 1636-S, Washington, D.C. 20250. Phone: (202) 382-0231.

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